



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS

*Internal Audit Section*



**FILE COPY**

Carnahan Courthouse Building  
1114 Market St., Room 642  
St. Louis, Missouri 63101  
(314) 622-4723  
Fax: (314) 613-3004

**DARLENE GREEN**  
Comptroller

**DR. KENNETH M. STONE, CPA**  
Internal Audit Executive

December 29, 2009

Richard Hrabko, Director of Airports  
Lambert – St. Louis International Airport  
P.O. Box 10212  
St. Louis, MO 63145

RE: Professional Service Agreement #1050 (Project #2009-56)

Dear Mr. Hrabko:

Enclosed is a report of the review of the Professional Service Agreement #1050 between the City of St. Louis and Apple Designs Inc., to provide design for entrance monuments and way finding signage at Lambert – St. Louis International Airport for the period January 1, 2008 through April 30 2009. The audit objectives were to determine if:

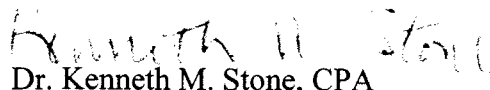
- Apple Designs Inc., complied with the contract and submitted its billings in accordance with the terms and conditions of the contract.
- The City of St. Louis has not been overcharged for work performed and errors in application or methodology are corrected on a prospective basis.

Fieldwork was completed on July 16, 2009. Management's responses to the observations and recommendations noted in the report were received on December 16, 2009 and have been incorporated in the report.

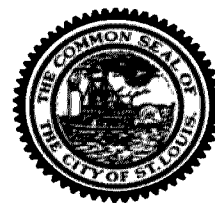
This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please call the Internal Audit Section at 314-622-4723.

Sincerely,



Dr. Kenneth M. Stone, CPA  
Internal Audit Executive  
Enclosure:



# CITY OF ST. LOUIS

**APPLE DESIGNS, INC.**

**REVIEW OF PROFESSIONAL SERVICE AGREEMENT #1050**

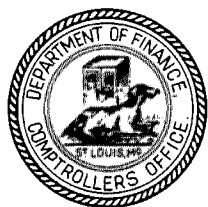
**DESIGN OF AIRPORT ENTRANCE MONUMENTS AND  
WAYFINDING SIGNAGE**

**JANUARY 1, 2008 THROUGH APRIL 31, 2009**

**PROJECT #2009-56**

**DATE ISSUED: DECEMBER 29, 2009**

**Prepared by:  
The Internal Audit Section**



## OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**

cc: Gerard Slay, Senior Deputy Director, Lambert St. Louis International Airport  
Susan Kopinski, Deputy Director Finance and Administration, Lambert – St. Louis International Airport  
Henrietta Brown, Assistant Director, Accounting and Finance, Lambert – St. Louis International Airport  
Joe Ebert, Acting Assistant Director – Planning/Engineering, Lambert – St. Louis International Airport  
Mike Minges, Program Manager, Kwame Building Group  
William Erhart, Principal, Apple Designs Inc.  
Jim Fox, Audit Supervisor, Lambert – St. Louis International Airport

**CITY OF ST. LOUIS  
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT  
REVIEW OF PROFESSIONAL SERVICE AGREEMENT #1050  
JANUARY 1, 2008 THROUGH APRIL 31, 2009**

**EXECUTIVE SUMMARY**

**Purpose**

The Internal Audit Section (IAS) has completed a review of Professional Service Agreement #1050. The purpose was to determine if Apple Designs, Inc., effectively and efficiently managed risks to ensure:

- Apple Designs Inc. complied with the contract and submitted its billings in accordance with the terms and conditions of the contract.
- The City of St. Louis has not been overcharged for work performed and errors in application or methodology are corrected on a prospective basis.

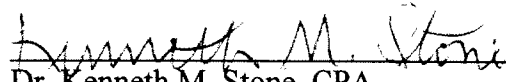
**Conclusion**

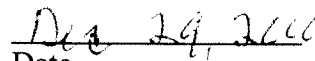
The opportunity exists for Apple Designs Inc., compliance with the provisions of the Professional Service Agreement #1050. The following are observations resulting from the review:

1. Opportunity to sign and approve timesheets, questioned cost , \$159.91
2. Opportunity to submit support for travel expenses, questioned cost, \$79.05
3. Opportunity to submit invoices in a timely manner

Each of these observations is discussed in more details in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

  
Dr. Kenneth M. Stone, CPA  
Internal Audit Executive

  
Date

**CITY OF ST. LOUIS  
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT  
REVIEW OF PROFESSIONAL SERVICE AGREEMENT #1050  
JANUARY 1, 2008 THROUGH APRIL 31, 2009**

**TABLE OF CONTENTS**

<b><u>Description</u></b>	<b><u>Page(s)</u></b>
<b>INTRODUCTION</b>	
Background	1
Purpose	1
Scope and Methodology	1
Exit Conference	1
Management's Response	1
<b>OBSERVATIONS</b>	
Status of Prior Observations	2
Summary of Current Observations	2
<b>DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES</b>	<b>3-5</b>

## **INTRODUCTION**

### **Background**

Professional Services Agreement #1050 (Agreement) between the City of St. Louis, Lambert – St. Louis International Airport and Apple Designs Inc., (Consultant) was for designing Airport entrance monuments and way finding signage at Lambert – St. Louis International Airport. The Agreement was initially for \$291,814.76 and later increased by \$58,925.13 for a total of \$350,739.89.

### **Purpose**

The objectives of this review were to ensure:

- Consultant complied with the provisions of the contract
- The City of St. Louis has not been overcharged for work performed and errors in application or methodology were corrected prospectively

### **Scope and Methodology**

The review was confined to the Consultant's compliance with the provisions of the Agreement. Procedures included inquiries of the management of the Consultant, its subconsultants, and Airport Finance and Accounting Departments and review of the Consultant's billings totaling approximately \$325,124.93 in aggregate for the period January 1, 2008, through April 31, 2009.

### **Exit Conference**

An exit conference was held on November 18, 2009. The Contractors were represented by Rosanna Grabow, Contract Specialist, Mike Minges, Kwame Building Group Program Manager. The Airport Accounting and Finance Sections were represented by Henrietta Brown, Airport Assistant Director, and Jim Fox, Audit Supervisor. Apple Designs Inc., was represented (tele-conference) by John Erhart. The Internal Audit Section was represented by Dr. Ishmael Ikpeama, Internal Audit Supervisor and Craig Frazier, Auditor II.

### **Management's Responses**

Management's responses to the observations and recommendations noted in this report were received on December 16, 2009. The responses have been incorporated into this report.

## **OBSERVATIONS**

### **Status of Prior Observations**

This was the first review of this contract; therefore, there were no prior observations.

### **Summary of Current Observations**

The opportunity exists for the Consultant and its sub-consultants' compliance with the provisions of the Agreement. The following are observations resulting from the review:

1. Opportunity to sign and approve timesheets, questioned cost , \$159.91
2. Opportunity to submit support for travel expenses, questioned cost, \$79.05
3. Opportunity to submit invoices in a timely manner

Each of these observations is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

**DETAILED OBSERVATIONS, RECOMMENDATIONS  
AND MANAGEMENT'S RESPONSES**

**1. Opportunity To Sign And Approve Timesheets, Questioned Cost \$159.91**

The sub-consultants' timesheets were not signed by employees and approved by management resulting in unsupported payroll costs of \$159.91 reimbursed by the Airport to the Consultant as follows:

Invoice #	Invoice Date	Reimbursement	Questioned Cost
1050-001	March 13, 2008	\$54.90	\$54.90
1050-008	September 10, 2008	\$105.01	\$105.01
Total		\$159.91	\$159.91

Good management practices include control and supervision of human assets to ensure that the right person is performing the assigned task at the right time. Signed timesheets are tools that are used to verify the use of human assets. Timesheets should be signed by employees and reviewed and signed by management.

This condition was caused by a lack of adherence to established procedures by the sub-consultants. Spaces were provided on timesheets for the employees, and management's signatures; however, they were left blank.

Without signed and approved timesheet it could not be determined if the sub-consultant's employees actually worked on the Airport project.

**Recommendation**

It is recommended that:

- The Airport establish a system of internal control to ensure that all project timesheets submitted to support the reimbursement requests are properly signed by the employees and approved by the management.
- The contractor repay the Airport \$159.91 reimbursed for the payroll costs not supported by signed and approved timesheets.

**Management's Response**

*Program Manager will request timesheets to be signed by employees and approved by management which were previously submitted incorrectly by Consultant.  
Program Manager will assure timesheets are reviewed to confirm timesheets are properly signed by employees and approved by management.*



## **2. Opportunity To Submit Support For Travel Expenses, Questioned Cost \$79.05**

Several of the Consultant's travel expenses, the Airport reimbursed, were not accompanied by receipts supporting the expenses incurred.

The reimbursed travel expenses without proper supporting documentation amounted to \$79.05.

<b>Invoice #</b>	<b>Invoice Period Covered</b>	<b>Unsupported Travel Expense</b>
1050-001	February 2008	\$14.55
1050-007	July 2008	\$11.40
1050-012	November 2008	\$29.70
1050-013	December 2008	\$23.40
Total		\$79.05

Travel expenses submitted by the Consultant should be accompanied by appropriate supporting documentation such as receipts to verify the validity of the expenses.

The contractor did not have a system of internal controls in place to ensure that the travel expenses submitted for reimbursements were accompanied by appropriate supporting documents verifying their validity.

The travel expenses for \$79.05 is being questioned because it could not be determined if they were actually incurred.

### **Recommendation**

It is recommended that:

- The Airport and the Consultant establish a system of internal controls to ensure that all requests for reimbursements are supported by documents that provide evidence that the expenses were actually incurred.
- The Consultant repay the Airport \$79.05 reimbursed for the unsupported travel expenses.

### **Management's Response**

*Program Manager acknowledges the consultant did not comply with the provision of the Agreement regarding the submission of invoices for reimbursement. Apple stated in some cases there was nothing or a very small amount to bill in some months, so they waited until following month to submit a billing. Program Manager will continue to instruct Consultant to submit invoices in accordance with the provisions of the agreement.*

### **3. Opportunity To Submit Invoices In A Timely Manner**

The Consultant submitted twelve (12) of its invoices for the services rendered late by an average of 16 days as follows:

<b>Invoice #</b>	<b>Invoice Period</b>	<b>Date Invoice Should Have Been Submitted</b>	<b>Date Invoice Submitted</b>	<b>Day Late</b>
1050-001	February '08	March 14, '08	April 7, '08	24
1050-002	March '08	April 14, '8	April 22, '08	8
1050-003	March '08	April 14, '08	April 24, '08	10
1050-004	April '08	May 14, '08	May 19, '08	5
1050-005	May '08	June 14, '08	July 17, '08	33
1050-006	June '08	July 14, '08	July 17, '08	3
1050-007	July '08	August 14, '08	August 22, '08	8
1050-008	July '08	August 14, '08	September 10, '08	27
1050-009	August '08	September 14, '08	October 2, '08	18
1050-013	December '08	January 14, '09	January 20, '09	6
1050-014	January '09	February 14, '09	February 15, '09	1
1050-015	April '09	May 14, '09	May 20, '09	6
Average days late				16

According to Article X of the Agreement, the consultant shall submit invoices within fourteen days following the end of the month in which the services are rendered.

The consultant did not comply with the provisions of the Agreement regarding the submission of invoices for reimbursement.

When invoices are not submitted in a timely manner payment to the consultant are delayed and proper tracking of expenses to work performed is made more difficult.

#### **Recommendation**

The Consultant should take steps to ensure that the invoices are submitted on or before the 14<sup>th</sup> of the month following the reporting period.

#### **Management's Response**

*Program Manager acknowledges the consultant did not comply with the provision of the Agreement regarding the submission of invoices for reimbursement. Apple stated in some cases there was nothing or a very small amount to bill in some months, so they waited until the following month to submit a billing. Program Manager will continue to instruct Consultant to submit invoices in accordance with the provisions of the agreement.*